

STATE OF WASHINGTON



**OFFICE OF
INSURANCE COMMISSIONER**

**BEFORE THE INSURANCE COMMISSIONER
OF THE STATE OF WASHINGTON**

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In the Matter of)	No. D 99- 70
)	Consent Order
FREMONT INDEMNITY COMPANY)	Levying a Fine
OF THE NORTHWEST,)	
An Authorized Insurer)	
)	

FINDINGS OF FACT:

1. Fremont Indemnity Company of the Northwest, previously known as Industrial Indemnity Company of the Northwest, is an authorized insurer in Washington state. It is governed by Title 48 RCW, the Insurance Code, including chapter 48.13 RCW, "Investments". Specifically, RCW 48.13.030 "Limitation on securities of one entity" provides that an insurer "...shall not, except with the consent of the Insurance Commissioner, have at any time any combination of investments in or loans upon the security of the obligations, property, and securities of any one person. institution, or municipal corporation aggregating an amount exceeding four percent of the insurer's assets."

2. According to the 1998 Annual Report filed with the Insurance Commissioner by Fremont Indemnity Company of the Northwest (hereinafter "Fremont Indemnity"), the insurer had common stock in the amount of \$3,000,000 and unassigned surplus in the amount of \$4,773,511. That same 1998 Annual Report showed purchases of the following assets:

a. Orange County, California Local Transit Authority bonds, purchased on March 25, 1998. The value of this asset at the end of 1998 was \$8,665,328, representing an excess over the 4% of \$ 7,284,203.

b. University of California Revenue Series G bonds, purchased on June 25, 1998. The value of this asset at the end of 1998 was \$1,517,272, representing an excess over the 4% of \$136,147.

3. On August 7, 1998, a consent order was entered at Olympia, Washington, against Industrial Indemnity Company of the Northwest, as Fremont Indemnity Company of the Northwest was previously known. This order imposed a fine in the amount of \$6000 for six separate violations of RCW 48.13.030. Industrial Indemnity Company of the Northwest consented to that order. It also acknowledged "...its duty and obligation to fully comply with the applicable laws and regulations of Washington and the United States."

CONCLUSIONS OF LAW:

1. The purchase of the Orange County, California Local Transit Authority bonds on March 25, 1998, was a violation of RCW 48.13.030.

2. The purchase of the University of California Revenue Series G bonds on June 25, 1998, was a second and separate violation of RCW 48.13.030.

3. RCW 48.05.140 (1) authorizes the Insurance Commissioner to refuse, suspend, or revoke an insurer's certificate of authority if the insurer fails to comply with any provision of Title 48 RCW, the Insurance Code, other than those for which refusal, suspension, or revocation is mandatory, or fails to comply with any proper order or regulation of the Commissioner.

4. RCW 48.05.185 provides that "After hearing or with the consent of the insurer and in addition to or in lieu of the suspension, revocation or refusal to renew any certificate of authority, the Commissioner may levy a fine upon the insurer in an amount not less than two hundred fifty dollars and not more than ten thousand dollars. The order levying such fine shall specify the period within which the fine shall be fully paid and which period shall not be less than fifteen nor more than thirty days from the date of such order. Upon failure to pay any such fine when due, the Commissioner shall revoke the certificate of authority of the insurer if not already revoked, and the fine shall be recovered in a civil action brought in behalf of the Commissioner by the Attorney General."

CONSENT TO ORDER

1. Fremont Indemnity Company of the Northwest stipulates to the Findings of Fact and Conclusions of Law set forth above and further consents to a total fine of \$20,000 imposed by this order. Fremont Indemnity Company agrees to pay this fine in full within thirty days of the entry of this order at Olympia, Washington.

2. Fremont Indemnity Company of the Northwest acknowledges its duty to obey all laws and regulations of the State of Washington, including but not limited to the provisions of Chapter 48..13 RCW, "Investments".

Signed this 7th day of July, 5 1999.

FREMONT INDEMNITY COMPANY OF THE
NORTHWEST

By _____

Corporate Title _____

ORDER

IT IS ORDERED that pursuant to RCW 48.05.140, RCW 48.05.185, and the foregoing Consent to Order, Fremont Indemnity Company of the Northwest is fined the total amount of \$20,000. The insurer must pay this fine in full within thirty days of the entry of this order in Olympia. Upon failure to timely pay this fine in full, the Insurance Commissioner shall revoke the certificate of authority held by Fremont Indemnity Company of the Northwest, and the fine will be recovered on behalf of the

Insurance Commissioner by the Attorney General, pursuant to RCW 48.05.185.

SIGNED AND ENTERED THIS 13th day of July, 1999.

DEBORAH SENN
Insurance Commissioner

By: _____

WILLIAM KIRBY
Deputy Insurance Commissioner